

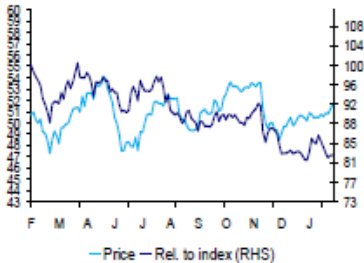
# BEFIMMO

## Solid FY results and slightly better outlook

REAL ESTATE INVESTMENT TRUSTS  
BELGIUM

CURRENT PRICE € 51.62  
TARGET PRICE € 55.00

**ACCUMULATE**  
RATING UNCHANGED



Source: Thomson Reuters Datastream

Bloomberg BEFB.BB  
Reuters BEFB.BR  
www.befimmo.be  
Market Cap € 1,092.2m  
Shares outst. 21.2m  
Volume (daily) € 1,149,416  
Free float 82.2%

Next corporate event

(€ m)	2013E	2014E	2015E
Current Result	85.2	82.7	88.9
Portf. Result	-7.6	-4.4	14.2
Net Profit	77.6	78.3	103.2
Adj. EPS (€)	4.25	3.81	4.10
NAV (€)	54.9	54.9	55.5
P/E (x)	12.1	13.5	12.6
DPS (€)	3.45	3.45	3.45
Dividend yield	6.7%	6.7%	6.7%

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### Income and financial costs in-line, operating costs higher than expect:

Net rental income increased 6.2% from € 128.9m to € 136.8m (€ 136.9m KBCSe) strongly in line with expectations. This rise resulted from external portfolio growth (Blue Tower and AMCA building) and internal improvements being a broadly stable occupancy & pos. I-f-I rental growth of approx. 1.5%. The operating costs came in bang in-line resulting in a property operating result of € 125.4m (€ 125.5m KBCSe), but the overheads rose € 1.5m more than expected following one-off IT costs for the property management software, increased taxes on funds, fees (lawyers, due diligence, ...) on the transactions, etc. Hence, the increase in operating result before result on portfolio was tempered to 5.9% attaining € 113.7m (€ 115.3m KBCSe).

The net financial result improved slightly stronger than expected, decreasing from € -29.6m to € -28.9m (€ -29.3m KBCSe) on the back of a lower average cost of debt of 3.2% (3.4% in FY12) and despite the 8% rise in debt. All in all, the company reported a 12.3% rise in EPRA earnings from € 74.9m to € 84.1m (€ 85.2m KBCSe). This corresponds to almost stable EPS of € 4.22 in FY13 (€ 4.25 in FY12), largely sufficient to cover the DPS of € 3.45.

The change in FV remained limited to € -11.6m (€ -14.2m KBCSe) or -0.5% (-1.8% FY12). Hence, the portfolio shows a bottoming out evolution in neg. revaluations. The non-cash IAS39 impact was € 6.6m. Following the portfolio growth of 10.6%, the portfolio FV equals € 2.18bn. The occupancy remained broadly stable at 95.2% (95.9% FY12), the current yield stands at 6.8% (6.9%) and the avg lease maturity remains >9 years, being 9.1 (9.3yrs). Positive is the drop in rental reversion rate from 12.0% to 10.4% mainly as a result of the acquired Blue Tower and AMCA building.

As a result of the equity-funded growth, Befimmo's LTV ratio dropped from 47.8% to 45.0% (45-50% target). The avg debt maturity decreased slightly from 4.5 to 4.1 years (no maturity before 4Q15), but the avg debt rate improved from 3.4% to 3.2%. The interest cover ratio is comfortable at 3.7x. Despite the newly-issued shares, the NAV (EPRA) remained stable at € 54.4.

### Outlook:

Management confirms a DPS of € 3.45. For FY14, it guides for a drop in EPS to € 3.90 vs. € 3.81 KBCSe and a stable DPS of € 3.45 (lowering steadily the interim DPS to € 2.59). The discrepancy in guidance results from sustained low financing costs (stable debt cost of 3.2%) as the rental income guidance of € 140m is fully in-line with out estimates. 6.2% of the leases has a first break in FY14, but most of them have already been secured. With regard to further growth opportunities, management hints for Luxembourg city.

### Our View and Conclusion:

Befimmo reported a top-line fully in-line with expectations, but the overheads showed a stronger-than-expected increase leading to a € 1.1m lower cash result. However, the company's portfolio fundamentals remained stable and the balance sheet is very healthy. This in combination with a well-covered DPS and the comfort that 60% of the portfolio is located in Brussels CBD (only 6% vacancy) and 70% of the tenants are public (Belgian or European) institutions, provides sufficient comfort to stick to our Accumulate & € 55 PT.